

CORRECTIONS AND PUBLIC SAFETY

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006



SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correctional Facilities Industries Revolving Fund as at March 31, 2006 and the statements of operations and accumulated operating deficit and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 22, 2006


Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

**CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
BALANCE SHEET
AS AT MARCH 31**

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets:		
Accounts receivable (Note 5)	\$ 92,093	\$ 55,204
Inventory (Note 7)	<u>86,624</u>	<u>111,468</u>
	178,717	166,672
	<u>\$ 178,717</u>	<u>\$ 166,672</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 40,861	\$ 21,624
Accumulated net expenditure (Statement 3)	157,208	148,965
Fund equity:		
Accumulated operating deficit (Statement 2)	<u>(19,352)</u>	<u>(3,917)</u>
	<u>\$ 178,717</u>	<u>\$ 166,672</u>

(See accompanying notes to the financial statements)

**CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF OPERATIONS
AND ACCUMULATED OPERATING DEFICIT
FOR THE YEAR ENDED MARCH 31**

	2006		2005
	Budget	Actual	Actual
	(Note 12)		
Sales	\$ 490,000	\$ 381,073	\$ 367,872
Cost of goods sold (Note 6)	<u>458,975</u>	<u>419,714</u>	<u>471,312</u>
Gross profit	<u>31,025</u>	<u>(38,641)</u>	<u>(103,440)</u>
Operating expenses:			
Salaries	51,000	40,742	66,059
Travel	6,400	5,498	5,027
Miscellaneous	1,000	2,837	2,159
Repairs and maintenance	600	---	---
Office supplies	1,250	928	1,045
Bad debts	1,000	127	957
Delivery	250	26	20
Returns	<u>500</u>	<u>577</u>	<u>94</u>
	<u>62,000</u>	<u>50,735</u>	<u>75,361</u>
Net loss from operations	(30,975)	(89,376)	(178,801)
Other income	---	8,941	43,198
Subsidy from General Revenue Fund	40,000	40,000	77,000
Deficit recovered from General Revenue Fund (Note 4)	<u>---</u>	<u>25,000</u>	<u>150,000</u>
Net (loss) income	<u>\$ 9,025</u>	<u>\$ (15,435)</u>	<u>\$ 91,397</u>
Accumulated operating deficit, beginning of year		<u>(3,917)</u>	<u>(95,314)</u>
Accumulated operating deficit, end of year (Statement 1)		<u>\$ (19,352)</u>	<u>\$ (3,917)</u>

(See accompanying notes to the financial statements)

**CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF CHANGES IN
ACCUMULATED NET EXPENDITURE
FOR THE YEAR ENDED MARCH 31**

	<u>2006</u>	<u>2005</u>
Financing (provided by) required for operating activities:		
Net loss (income)	\$ 15,435	\$ (91,397)
Working capital changes related to operations		
Increase (decrease) in accounts receivable	36,889	(122,262)
Decrease in inventories	(24,844)	(34,486)
(Increase) decrease in current liabilities	<u>(19,237)</u>	<u>31,226</u>
	8,243	(216,919)
Net increase (decrease) in financing requirements	8,243	(216,919)
Accumulated net expenditure, beginning of year	<u>148,965</u>	<u>365,884</u>
Accumulated net expenditure, end of year (Statement 1)	<u>\$ 157,208</u>	<u>\$ 148,965</u>

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and which provides a revenue source to reduce the costs of inmate programming.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 8. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the aggregate of net increases (decreases) in financing requirements for all fiscal years.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

The financial statements recognize revenue from long-term contracts proportionately with the degree of completion of goods under contract.

e) **Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

f) **Use of Estimates**

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum accumulated net expenditure will be set by order of the Lieutenant Governor in Council. A maximum amount of \$900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus/deficit exceeds the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The approved surplus/deficit limit for the Correctional Facilities Industries Revolving Fund is \$100,000 per year.

5. Accounts Receivable

A submission to Finance requesting the write off of old accounts deemed uncollectible in the amount of \$54,126.56 was made in March 2006.

6. Cost of Goods Sold

Cost of goods sold consists of the following:

	<u>2006</u>	<u>2005</u>
Materials	\$ 168,053	\$ 226,567
Supplies	12,574	5,001
Small Tools	2,075	689
Inmate Incentive	32,198	22,666
Staff Salaries	190,803	200,432
Shop Expense	14,011	15,957
	<u>\$ 419,714</u>	<u>\$ 471,312</u>

7. Inventory

Inventory consists of the following:

	<u>2006</u>	<u>2005</u>
Raw Materials	\$ 71,342	\$ 80,958
Work in Process	7,470	13,829
Finished Goods	7,812	16,681
	<u>\$ 86,624</u>	<u>\$ 111,468</u>

8. Amount Reported in the Public Accounts

The net recovery (expense) of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	<u>2006</u>	<u>2005</u>
Net loss after subsidy and other income	\$ (40,435)	\$ (58,603)
Deficit recovered from the General Revenue Fund	25,000	150,000
Decrease in inventory balance	24,844	34,486
Timing differences in recording receipts and payments	<u>30,076</u>	<u>(19,921)</u>
Net recovery (expense) reported in the Public Accounts	<u>\$ 39,485</u>	<u>\$ 105,962</u>

9. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	<u>2006</u>	<u>2005</u>
Sales	\$ 101,505	\$ 54,786
Accounts receivable	24,837	4,291

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

10. Financial Instruments

The Revolving Fund's financial instruments consist of accounts receivable, accounts payable and accumulated net expenditure.

a) Significant terms and conditions

There are no significant terms and conditions related to the financial instruments that may affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are outstanding from many customers, which helps reduce credit risk.

c) Fair value

The carrying amounts approximate fair value due to their immediate or short-term nature. The fair value of the accumulated net expenditure has not been disclosed because it is not practicable to determine the fair value with sufficient reliability.

11. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

12. Contingency

The Revolving Fund is a defendant in a legal proceeding. An estimate of losses, if any, cannot be determined at this time. Accordingly, no provision has been made in the Revolving Fund's accounts.



